

# State of Delaware Deferred Compensation Program

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[www.DelawareSaves.com](http://www.DelawareSaves.com)

# Key Topics

- 457b Plan Eligibility
- Benefits of Saving in Your Workplace Plan
- Enrollment
- Contribution Limits – 2011
- Accessing Funds While Employed
- Accessing Funds After Retirement

# Plan Eligibility

- 457(b) Plan – All State of Delaware employees who are pension eligible. Casual Seasonal employees are not eligible

# Hit the target

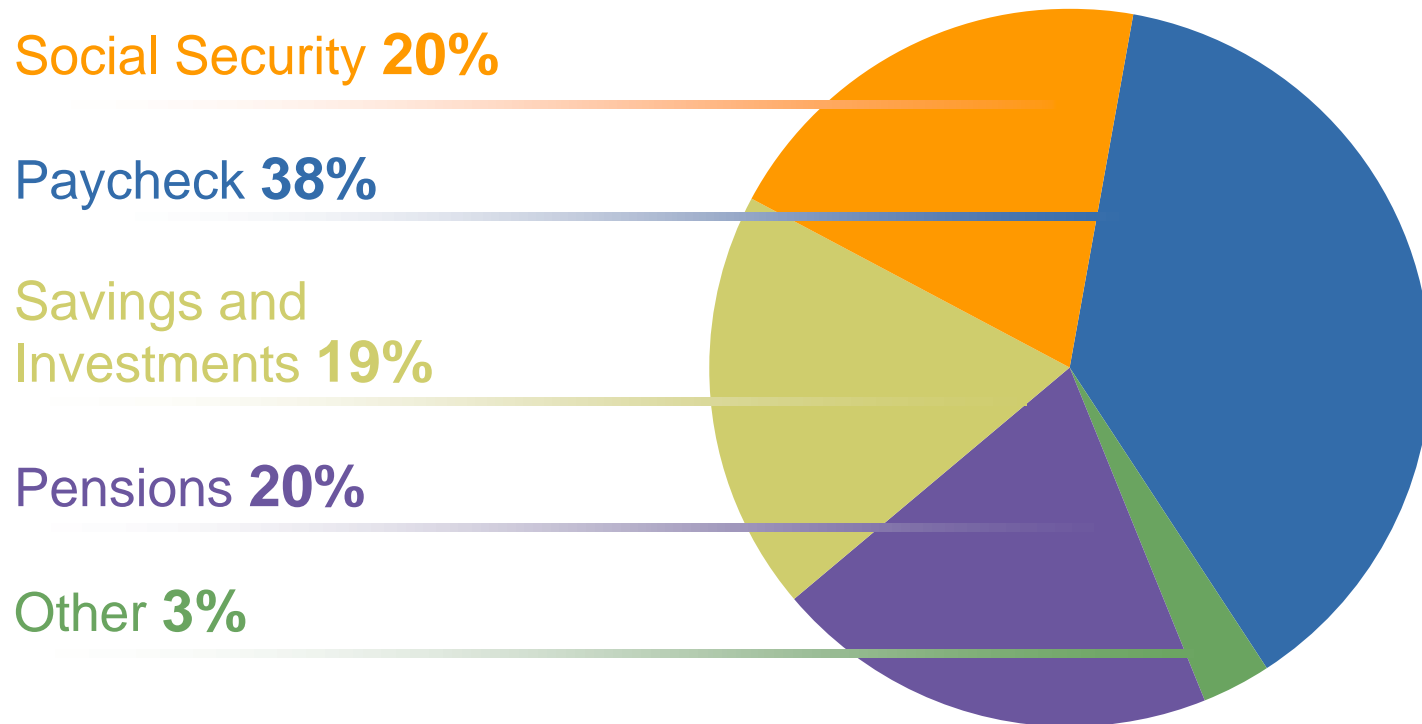


Target  
**85%**

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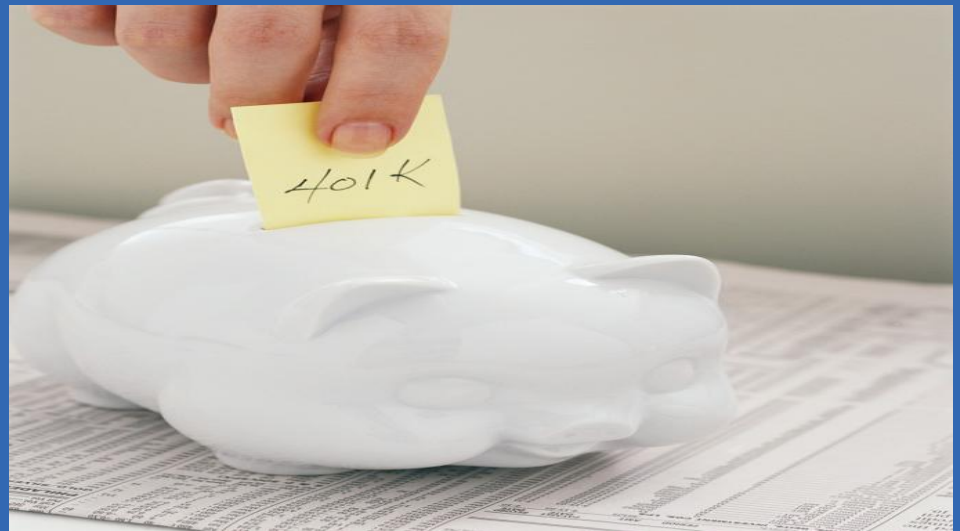
of your preretirement  
income per year

# Sources of retirement income



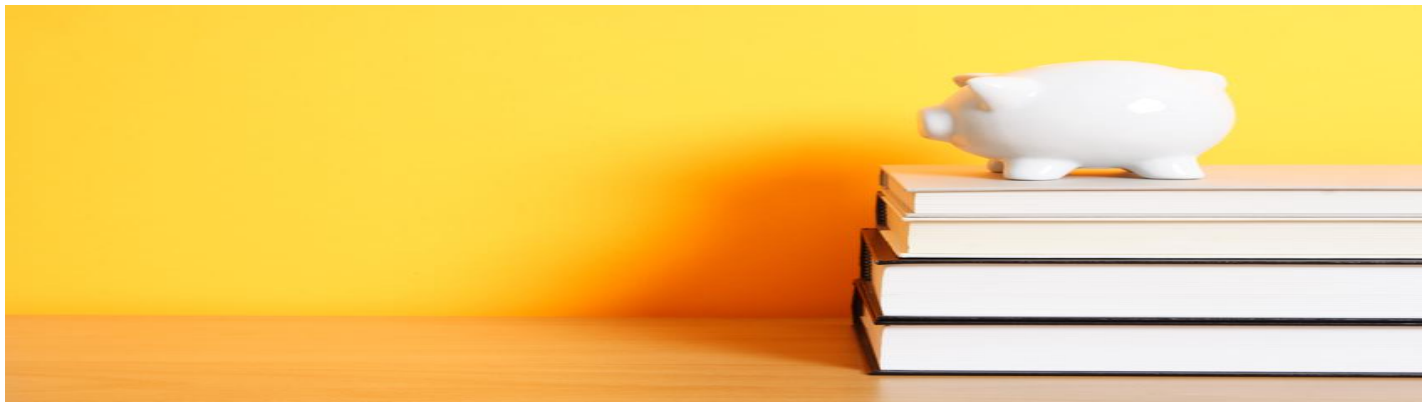
# Benefits

- Ease and Convenience
- Potentially Lowers Taxable Income
- Tax-Deferred Growth
- Investment Choice



# Ease and Convenience

- Contributions are taken directly out of your paycheck
- You can increase or decrease your contributions as you see fit



# Lowers Taxable Income

- When you make a pre-tax contribution to your retirement account your take-home pay is reduced by less than the actual amount of your contribution





# Lowers taxable income

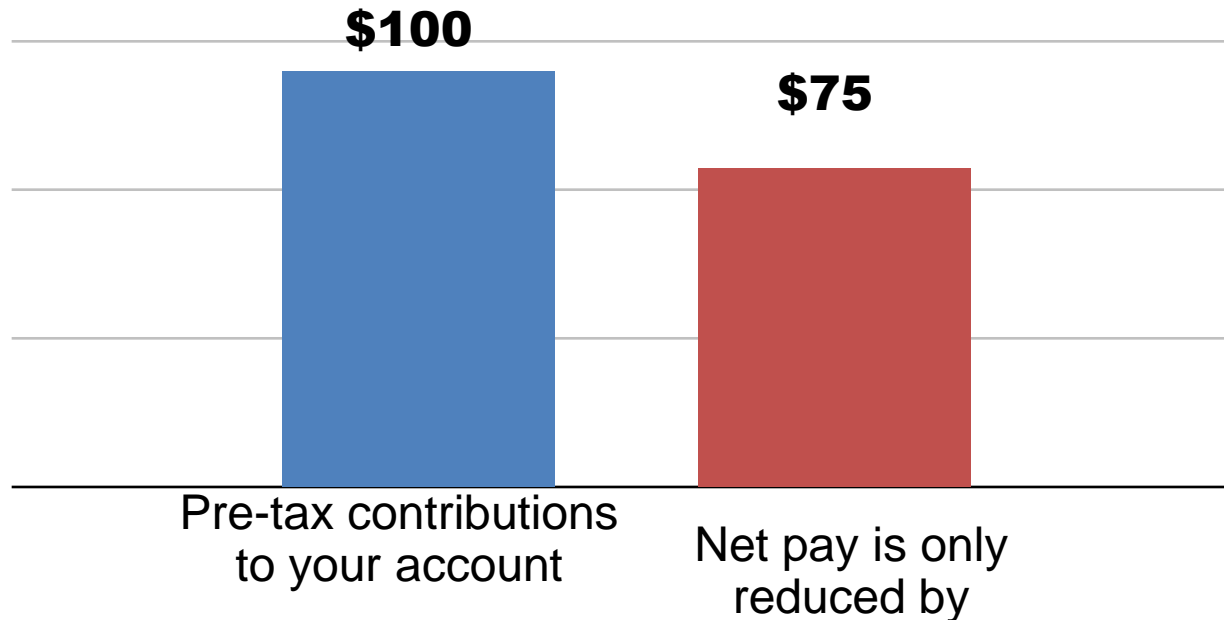
## Assumptions:

**Annual Salary \$30,000**

**Paid monthly**

**Want to contribute 4% into your retirement account**

**Federal Income Tax is 25%**



Note: State income taxes were not used in this example

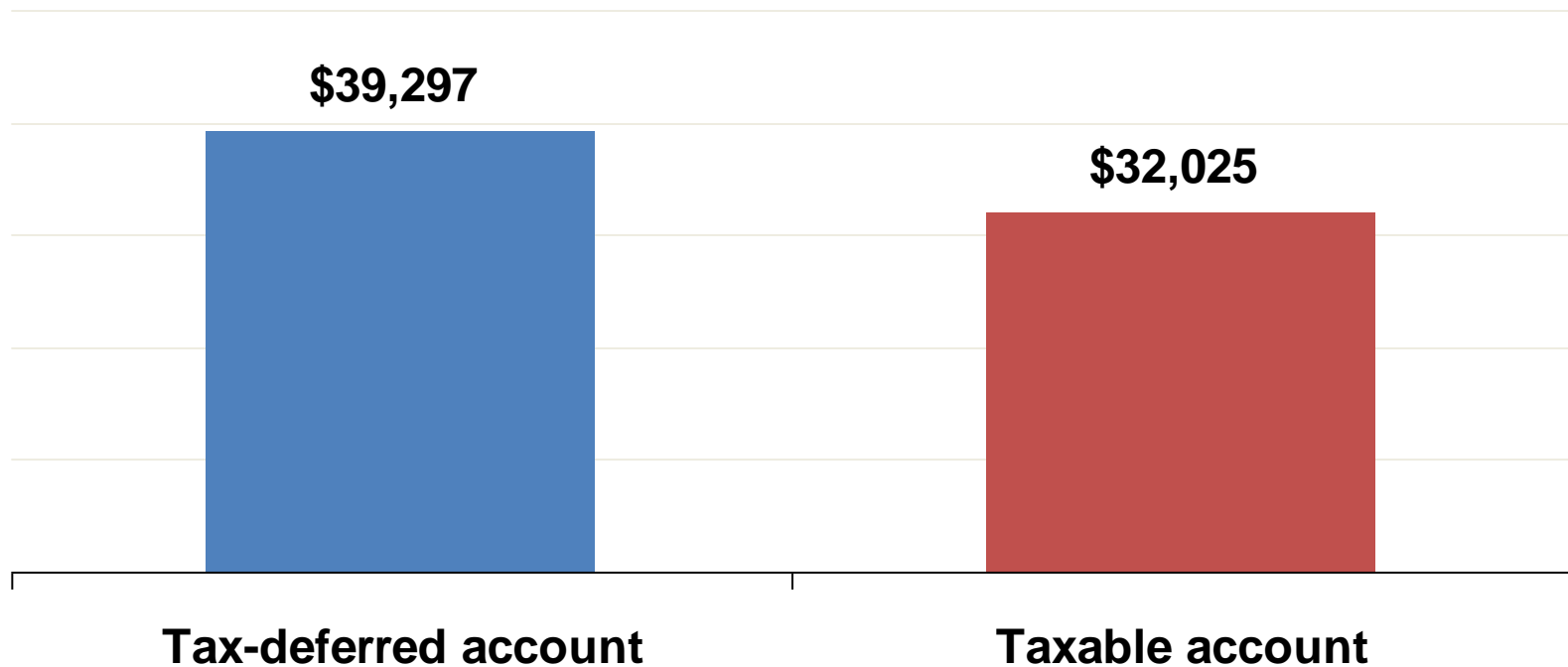
# Growth is Tax-Deferred

- You pay no current Federal or State Income Taxes on the amount you contribute, or on the interest and/or dividends earned
- Income taxes are paid only when funds are distributed



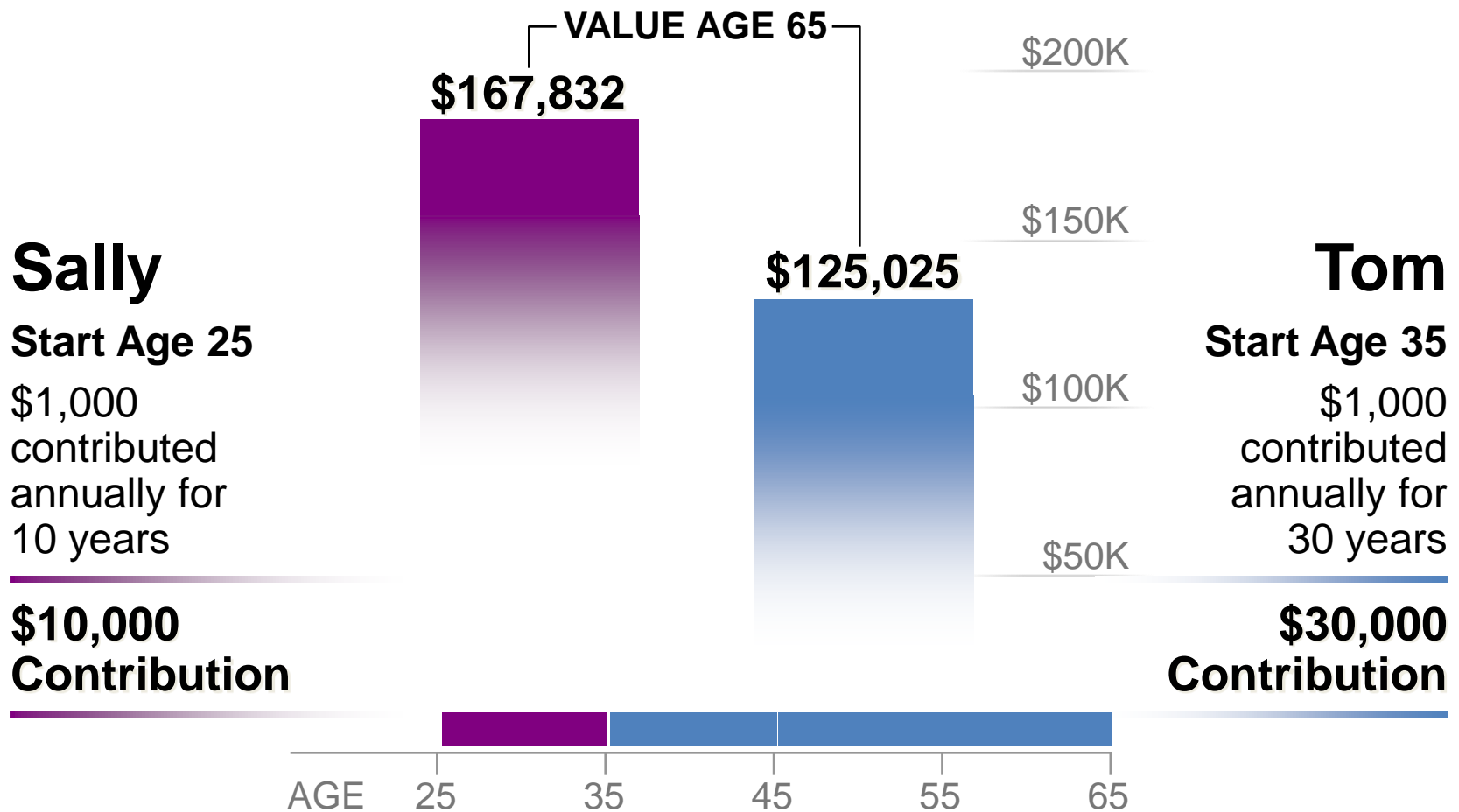
# Growth is tax deferred

\$100/month for 20 years  
(hypothetical 25% tax bracket)



The hypothetical chart above illustrates the difference tax-deferred earnings and contributions can make. The assumption is that two people invest \$100 per month at the beginning of each month over 20 years. Each one is in the 25% federal income tax bracket, earning a 7% annual rate of return compounded monthly. All earnings are reinvested. The only difference is that one account had the benefit of tax-deferred earnings and contributions—the other account did not. Federal income taxes at a rate of 25% have been withheld from the tax-deferred account. Your own account may earn more or less than this example. Investing in this manner does not ensure a profit or guarantee against loss in declining markets.

# Tale of two savers



This hypothetical example is based on monthly contributions made at the beginning of the month to a tax-deferred retirement plan and an 8% annual rate of return compounded monthly. Your own Plan account may earn more or less than this example, and income taxes will be due when you withdraw from your account.

# Investment Choice

- Flexibility
- Professional Management
- Cost Effective
- Diversification



# Enrollment

- There are multiple ways to enroll in the 457(b) Plan
  - Call Fidelity Investments at 1.800.343.0860
  - Enroll on-line at [www.fidelity.com/atwork](http://www.fidelity.com/atwork)
  - Complete a Paper Enrollment Form and fax it back to the Treasurer's Office at 1.302.677.7031
    - Paper Enrollment Forms can be obtained from your HR Representative or at [www.DelawareSaves.com](http://www.DelawareSaves.com)

# Enrolling in the 457(b) Continued

- If enrolling on-line you would go to [www.fidelity.com/atwork](http://www.fidelity.com/atwork) or click the Enroll Now button located on the 457(b) page of our website - [www.DelawareSaves.com](http://www.DelawareSaves.com)



457(b)

Enroll Now

# Enrolling in the 457(b) Continued

- Once you are enrolled and have chosen your contribution amount and investment(s), you have access to Fidelity Investments to:
  - View your account balance and performance
  - Use Fidelity's financial planning tools and calculators
  - Read from an extensive library of articles regarding retirement and planning
  - Increase, decrease, stop, or resume your contributions
  - Elect or change your investment options



# Contribution Limits - 2011

- If you are age 49 or younger, you can contribute \$16,500.00
- If you are 50 years of age or older by the end of 2011, you can contribute an additional \$5,500.00
- As an alternative to the Age 50 catch-up, up to twice the contribution limit in effect for the three years preceeding the employee's normal retirement age. For 2011, the maximum would be an additional \$16,500.00

# “It’s my money and I need it now!”

- Distributions are allowable under certain circumstances
  - Unforseeable Emergency
    - You must complete a Unforeseen Emergency Application
      - Found at [www.DelawareSaves.com](http://www.DelawareSaves.com) or from Fidelity directly
      - Return to Treasurer’s Office for review and eligibility determination
        - » Fax to 302-677-7031
  - Termination of Employment
  - 70 ½ yrs of age

# Accessing Funds After Retirement

- Once you have retired and left State service you have several options for money you have in the 457(b) Plan
  - You can leave the money in your account
  - You can roll the money over to an IRA
  - You can roll the money to another employers qualified plan if you return to work somewhere else
  - You can take either a full, partial, or systematic distribution. Please note, if you take a distribution the money you withdraw is subject to taxes in the year you take the distribution

# Deferred Compensation Team

- Deferred Compensation General Information
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# Thank you!



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